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STATE FOR EEB/IFD/OMA, EEB/EPPD, AND NEA/MAG
(PATTERSON/HAYES)
STATE PASS USTR (BURKHEAD) AND USAID (MCCLLOUD)
USDOC FOR ITA/MAC/ONE (MASON), ADVOCACY CTR (TABINE), AND
CLDP (TEJTEL AND MCMANUS)
USDOC PASS USPTO (ADAMS, BROWN AND MARSHALL)
CASABLANCA FOR FCS (ORTIZ)
RABAT FOR FAS (HASSAN)
CAIRO FOR FINANCIAL ATTACHE (SEVERENS)
LONDON AND PARIS FOR NEA WATCHER

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SUBJECT: TUNISIA'S IT SECTOR GROWING, BUT SOME CHALLENGES
REMAIN

REF: STATE 27310

Summary

¶1. Tunisia's Ministry of Communications recently announced that the IT sector grew 17.8 percent from 2008 to 2009, contributing 10 percent of GDP and poised to create over 10,000 jobs per year. In the face of the economic crisis, this sector continues to grow. Already, mobile telephone penetration rates are among the highest in the region. The GOT has plans for liberalization in telephony, and is due to announce the winner of a 2008 tender for a third mobile provider (which will also provide landline service) in the coming months. Regarding the Internet, however, restrictions on the number of service providers and GOT censorship of content remain barriers to expansion. The GOT does have ambitious plans to increase the reach of the Internet in Tunisia, especially to poorer regions. End Summary.

Telephony: High Penetration, Liberalization in the Works

¶2. As of March 2009, there were 9.84 million subscribers to mobile and fixed telephone lines in Tunisia. As of February 2009, the fixed and mobile telephone density reached 94.6 lines per 100 inhabitants. Mobile telephony has seen the largest boom of all IT capabilities in recent years. After the GOT enacted some important reforms in 2001, the number of mobile phones went up from 400,000 to more than six million in four years. The penetration rate surpassed that of fixed telephony as early as 2003. By June 2006, the penetration rate of mobile phones had reached 62 percent. Today, the total number of subscribers to mobile services is 8.59 million. (Tunisia's population is just over 10 million.) This amounts to a penetration rate of over 93 percent -- one of the highest on the African continent.

¶3. There are currently two providers for mobile telephony: Tunisiana and Tunisie Telecom. Tunisiana's ownership is shared between Qatar Telecom (whose shares were purchased from one of the original tender winners, Kuwait's Wataniyya Telecom) and Egypt's Orascom Telecom. Tunisie Telecom, the state communications agency that currently controls all fixed lines, was partially privatized in 2006, when 35 percent of its capital was sold to a Dubai-based consortium. Current

market share for mobile telephones is split evenly between the two companies. In December 2008, the GOT released an international tender to award a third telecom license for fixed and third-generation (3G) mobile telecommunications networks and services. No U.S. companies have bid for the license, and the decision on the winner is expected in the coming months.

Internet: Users Increasing, but so is Censorship

¶4. As of August 2008, there were 2.3 million internet users in Tunisia, but only about 365,000 subscribers. Recent numbers provided by the Ministry of Communications (MOC) place the number of users at 2.8 million by the end of 2008. The MOC also announced ADSL (Asymmetric Digital Subscriber Line) connections are expected to reach 400,000 by the end of 2009, up from 212,639 currently.

¶5. Over 300 universities and research centers have ADSL, as well as 1,600 companies and 300 industrial and administrative zones. According to a local media report, 420 offshore logistics and call centers use high speed Internet. Geographically, an increasing number of towns and regions are connected to broadband -- although the interior of the country is behind the coastal areas in this regard. The number of computers in Tunisia rose 30 percent from 767,600 units in 2007, to 997,000 units at the end of 2008, according to the GOT. The number of Tunisian-registered websites also increased 12 percent, from 5,796 in 2007 to 6,467 by December ¶2008.

¶6. Government restrictions and censorship pose a challenge to this sector. There are only five private Internet service providers (ISPs) licensed by the GOT, and they can only provide service via the state Tunisian Internet Agency (ATI). This agency frequently blocks access to sites it considers dangerous to national security, damaging to moral values or critical of the government. This includes sites whose content is considered critical of GOT policies, including international human rights groups Amnesty International and Human Rights Watch as well as YouTube.

GOT Forecasts IT Sector Growth

¶7. Telecom's contribution to GDP has been steadily growing in the last two decades. According to the World Bank, the share of telecom in GDP tripled in 15 years, from 1.3 percent in 1990 to 4.3 percent in 2005. Today, the GOT says the IT sector grew 17.8 percent year-on-year from 2008, and has gone from contributing 9 percent of GDP in 2007 to 10 percent in ¶2008. Minister of Communications El Hadj Gley said the sector's contribution to GDP was expected to grow to 13 percent in 2011 and that he expected 10,000 new IT-related jobs each year.

¶8. In 2008, the Ministry of Communications unveiled a series of goals and upcoming projects, including an e-mail address for each citizen and one million computers by 2009. It also outlined the goal of one public internet service center in each village by the end of 2009 and free hosting for associations creating national cultural, educational, and scientific content. On some of these goals, such as the number of computers, Tunisia has come close (see Para 5).

Comment

¶9. Undoubtedly, IT is one of the sectors of the Tunisian economy that has enjoyed steady growth over the last decades. High rates of telephone penetration and increasing internet connectivity have contributed to overall economic growth. Since the sector is mostly driven by domestic demand (versus European demand in the export sectors), the economic crisis

has not had the same negative effects on IT. However, other stumbling blocks remain. Although the sector is growing, many businesses and individuals still complain of problems in service, especially during summer months and peak hours. In fact, the Tunisian-American Chamber of Commerce's 2008 Business Survey cited internet connectivity problems as one of the barriers to doing business in Tunisia. State control of internet content and ISPs not only curbs development of the sector, but significantly limits freedom of expression. The issuance of a new tender for telephony and the push for higher internet penetration, at least, are moves in the right direction. End Comment.

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